

## Message Text

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ORIGIN NEA-09

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 OMB-01 AID-05

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DRAFTED BY NEA/AFNDLMACK:CFE

APPROVED BY NEA/AFN:MWWILEY

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R 112119Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY TUNIS

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E.O. 11652:N/A

TAGS: BDIS, TS

SUBJECT: N.P.K. ENGRAIS TAX DISPUTE

FOR LOGAN FROM NEA/AFN, MACK

1. RICHARD ODENCE OF FREEPORT MINERALS VISITED DEPTOFF  
FEBRUARY 11 TO SEEK INFORMATION ON NEW TUNISIAN TAX  
WHICH COMPANY UNDERSTANDS IS BEING LEVIED ON N.P.K.  
ENGRAIS. FREEPORT MINERALS IS PARENT COMPANY OF FREE-  
PORT INTERNATIONAL, WHICH OWNS ABOUT 14 PERCENT OF EQUITY  
IN N.P.K. ENGRAIS. OTHER MAJOR SHAREHOLDERS ARE SUPRA  
(SWEDISH) AND IFC.

2. REPORTED TAX IS QUOTE PRELEVEMENT CONJONCTUREL UNQUOTE  
EMBODIED IN GOT DECREE OF NOVEMBER 14, 1974 WHICH WAS  
SIGNED BY PRESIDENT BOURGUIBA ON DECEMBER 25, 1974.  
FREEPORT HAS NOT BEEN ABLE TO GET COPY OF DECREE. THEY  
UNDERSTAND, HOWEVER, THAT THIS IS SOME KIND OF EXCESS  
PROFITS TAX AND THAT THE FIRST PAYMENT WILL BE DUE ON  
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FEBRUARY 25. THE TAX IS TO BE TD 20 PER TON OF TRIPLE

SUPERPHOSPHATE.

3. ODNCE NOTED THAT N.P.K. ENGRAIS HAS CONVENTION WITH GOT WHICH EXEMPTS IT FROM ANY NEW TAXES FOR FIRST

FIFTEEN YEARS OF PRODUCTION AND THAT PRODUCTION BEGAN NO EARLIER THAN 1965. ODNCE FEELS THAT GOT IS TAKING ADVANTAGE OF NEWLY PROSPEROUS POSITION OF N.P.K. ENGRAIS FOLLOWING 10 YEARS OF VERY LEAN PROFITS. ODNCE ALSO SUSPECTS THAT TAX IS BEING APPLIED IN DISCRIMINATORY MANNER, I.E., THAT IT WOULD NOT BE APPLIED TO NEW INVESTORS UNDER LAW OF APRIL 1972.

4. MATTER WAS RAISED WITH AYARI BY IFC DURING AYARI VISIT TO WASHINGTON IN JANUARY. AYARI SAID HE UNINFORMED BUT PROMISED TO LOOK INTO IT. ODNCE OBSERVED THAT EFFECT OF THIS TAX, WHEN KNOWN TO INDUSTRY AT LARGE, WOULD COUNTER GOT EFFORT TO STIMULATE FOREIGN PRIVATE INVESTMENTS.

5. NEA/AFN WOULD APPRECIATE KNOWING MORE ABOUT THIS. FRENCH TERM OF PRELEVEMENT CONJONCTUREL DOES NOT HAVE LITERAL MEANING CLOSE TO WHAT ODNCE UNDERSTANDS IT TO REALLY MEAN. SPECIFICALLY, DOES THIS LEVY APPLY TO N.P.K. ENGRAIS? WOULD IT APPLY TO OTHER COMPANIES INVOLVED IN PROCESSING TUNISIAN RAW MATERIALS? IS ANYONE IN GOT SEIZED WITH ISSUE OF ITS POSSIBLE CONFLICT WITH CONVENTION BETWEEN N.P.K. ENGRAIS AND GOT? NEA/AFN WOULD ALSO LIKE TO OBTAIN COPY OF DECREE FOR FREEPORT MINERALS. ALTHOUGH ODNCE ACKNOWLEDGED THIS WAS ESSENTIALLY A TASK THAT N.P.K. ENGRAIS SHOULD PERFORM FOR ITS STOCKHOLDERS, THE GESTURE WOULD BE APPRECIATED.

6. WE EXPECT THAT ODNCE OR ANOTHER COMPANY OFFICIAL WILL BE VISITING TUNISIA IF DISPUTE CANNOT BE RESOLVED SOON. ODNCE WAS MARKEDLY UPSET TO HEAR THAT AYARI LEAVING GOT FOR NEW JOB SINCE HE WAS COUNTING ON HIM TO FOLLOW-UP ON IFC DEMARCHE. INGERSOLL

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